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July 25, 2005

BY OVERNIGHT DELIVERY AND E-FILE

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-27

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's responses to the following Record Requests:

From the Attorney General:

RR-AG-43 RR-AG-44 RR-AG-52 RR-AG-56

From the Department:

RR-DTE-23 RR-DTE-51 RR-DTE-52 RR-DTE-68 RR-DTE-72 RR-DTE-79

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Per Ground Rules Memorandum issued June 13, 2005:

Paul E. Osborne, Assistant Director – Rates and Rev. Requirements Div. (1 copy)
A. John Sullivan, Rates and Rev. Requirements Div. (4 copies)
Andreas Thanos, Assistant Director, Gas Division (1 copy)
Alexander Cochis, Assistant Attorney General (4 copies)
Service List (1 electronic copy)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE ATTORNEY GENERAL
D.T.E. 05-27

Date: July 25, 2005

Responsible: John Skirtich, Consultant (Revenue Requirements)

RR-AG-43: Does the Company routinely capitalize its incentive compensation payments? Please provide the percentage and dollar amount capitalized during the test year. Also, how much incentive compensation did NiSource and/or NCSC allocate to Bay State during the test year.

Response: Bay State capitalizes incentive compensation. For the test year 2004, the percentage capitalized was 29.27% and the total amount capitalized was \$347,276. NiSource, Inc., did not bill any incentive compensation to Bay State since it has no employees. NCSC allocated \$816,377 of incentive compensation to Bay State.

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RECORD REQUESTS FROM THE ATTORNEY GENERAL
D.T.E. 05-27

Date: July 25, 2005

Responsible: John Skirtich, Consultant (Revenue Requirements)

RR-AG-44: Provide the percentage of the Company's total test-year payroll as compared to its test-year incentive compensation.

Response: Please see Table RR-AG-44 below.

TABLE RR-AG-44

Total accrued for 2004 incentives	<u>\$1,001,249</u>	2.75%
Total Wages and Salaries	\$36,390,551	

(Reference: Annual Report to DTE, page 47, line 45)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE ATTORNEY GENERAL
D.T.E. 05-27

Date: July 25, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

RR-AG-52: Inquire about the availability of the appraisal of the Westborough building required of the buyer by Paragraph 5.2 (a).

Response: The Company has inquired about the availability of the above-referenced appraisal of the Westborough building, and was informed that an appraisal was not performed. Bay State was also informed that the buyer's willingness to enter into this transaction was based on Bay State Gas Company's strong credit rating.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE ATTORNEY GENERAL
D.T.E. 05-27

Date: July 22, 2005

Responsible: Joseph A. Ferro

RR-AG-56: Provide actual test-year billed quantities for each of the services listed in the response to AG-09-45 and to apply the new rates to determine a test-year revenue adjustment to reflect rate-year revenues. Please include all workpapers, calculations and assumptions.

Response: Response to AG-09-45 provided the annual revenue impact of the new rates for each of the services as follows:

- Rental Conversion Burners (Attach. AG-9-45-2): \$(220,305)
- Fee for Service Repairs (Attach. AG-9-45-4): \$ (71,960)
- Annual Inspections (Attach. AG-9-45-4): \$ 53,435
- Guardian Care (Attach. AG-9-45-4): \$ 218,870
\$ (19,960)

The annual revenue impact also reflects the impact of any volume or count change in the "rate year."

The test year volumes or counts are not representative of the expected volumes or counts in the rate year, and as such a calculation of a revision to test year revenues based on 2004 volumes or counts and 2005 fees is not appropriate. Nonetheless, Attachment AG-RR-56 presents the requested revenue impact.

**Impact of Rate Increases
Without the Corresponding
Change in Volumes and Contract Counts**

	Test Year Volumes	Implemented Increases AG-9-45	Planned Increases AG-9-44	Test Year Revenue Adjustment
Service				
Fee for Service	6,688	\$ 5.00	\$ 5.00	\$66,880
Annual Inspections	9,692	\$ 5.00	\$ -	\$48,460
AC Annual Inspections	1,347	\$ -	\$ 5.00	\$6,735

	Test Year Contracts 12/31/04	Implemented Increases AG-9-45	Planned Increases AG-9-44	Test Year Revenue Adjustment
Product				
Rental Conversion Burners	10,441	\$ 2.00	\$ -	\$250,584
Guardian Care	42,160	\$ 5.00	\$ 5.00	\$421,600

Grand Total				\$794,259
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COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE D.T.E.
D.T.E. 05-27

Date: July 25, 2005

Responsible: John Skirtich, Consultant (Revenue Requirements)

RR-DTE-23: Explain why Springfield bad debt is higher than Brockton given that more than half of the company's business is conducted in Brockton according to Mr. Cote. re: DTE 9-11 & 17.

Response: Bay State Gas Company's credit and collection policies are administered consistently throughout its three service territories. Therefore, the Company is not aware of any specific internal reasons why bad debt amounts appear higher in one town or division versus another. The Company concludes that these differences may be caused by influences outside the Company's control, such as demographic differences between the two districts. For example, unemployment rates for select towns from each district vary (information provided by Massachusetts Division of Unemployment Assistance website).

Springfield District

Springfield (7.0%)
Chicopee (5.5%)
Palmer (4.5%)
West Springfield (5.1%)

Brockton District

Brockton (5.8%)
Attleboro (4.7%)
Foxboro (3.9%)
Marshfield (3.9%)
Scituate (3.5%)
Taunton (4.7%)

The Springfield District's Hampden County has an unemployment rate that is higher than the state average, and higher than counties served by the Brockton District (Plymouth, Bristol, and Norfolk).

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE D.T.E.
D.T.E. 05-27

Date: July 22, 2005

Responsible: Paul R. Moul, Consultant

RR-DTE-51: Provide a copy of the Note evidencing the issuance of the remaining \$5 million in long term debt, authorized by the Department's financing order, DTE 04-80, which Bay State expects to issue before the completion of this proceeding. If necessary, update Mr. Moul's Schedules 1, 5 and 6.

Response: The Company anticipates that the requested information will be provided prior to August 12, 2005, once the debt has been issued.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE D.T.E.
D.T.E. 05-27

Date: July 22, 2005

Responsible: Paul R. Moul, Consultant

RR-DTE-52: Provide a description of the steel replacement program utilized by Atlanta Gas Light Co., and any order(s) that authorized the program.

Response: A description of the Pipeline Replacement Program (PRP) Cost Recovery Rider may be found in Attachment RR-DTE-52 (a), which is the relevant portion of Atlanta Gas Light ("AGL") Company's Tariff (see Tariff Sheet Nos. 26.1 and 26.2). See Attachment RR-DTE-52 (b) for the Stipulation in Docket No. 8516-U, which describes AGL's steel replacement program. Attachment RR-DTE-52 (c) is a copy of the Georgia Public Service Commission's Order approving the Stipulation.



TERMS OF SERVICE
All Rate Schedules
Original Sheet No. 26.1
Effective: October 1, 1999

26. Pipeline Replacement Program (PRP) Cost Recovery Rider

26.1 Applicability

This Rider shall apply to and become a part of each of the Company's Rate Schedules for Firm Distribution Service. The monthly rate per customer shall be increased by the annual "Pipeline Replacement Program Cost Recovery Factor" or "PRP Factor" as hereinafter provided.

26.2 Purpose

The purpose of this Rider is for the Company to recover certain costs associated with the replacement of bare steel and cast iron pipe on the Company's system, first approved by Commission Order dated September 3, 1998 in Docket No. 8516-U.

26.3 Definitions

For purposes hereof:

26.3.1 Pipeline Replacement Costs to be Recovered – Shall be determined for any Recovery Year in accordance with the provisions of the Stipulation approved in the above mentioned Order unless otherwise modified by the Commission.

26.3.2 Recovery Year – Each fiscal year of the Company for which a PRP Factor is calculated.

26.4.1 Number of Customers – The total estimated number of customers receiving service under all of the Company's Firm Distribution rate schedules.

26. Pipeline Replacement Program (PRP) Cost Recovery Rider
(continued)**26.4 Computation and Application of the PRP Factor**

The PRP Factor shall be computed to the nearest one-hundredth (1/100th) dollar per customer in the following manner:

The annual PRP Factor shall be the quotient obtained by dividing the Pipeline Replacement Costs to be Recovered in the Recovery Year by the Number of Customers.

26.5 Current Rate

On September 28, 2004, the Commission approved a rate of \$1.29 per customer for this rider to be effective for service provided on and after October 1, 2004.

BEFORE THE GEORGIA PUBLIC SERVICE COMMISSION
STATE OF GEORGIA

IN THE MATTER OF:

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DOCKET NO. 8516-U

*

ATLANTA GAS LIGHT COMPANY

*

also d/b/a GEORGIA NATURAL

*

GAS COMPANY and SAVANNAH GAS

*

COMPANY

*

Respondent.

*

STIPULATION

The Pipeline Safety Unit Staff of the Georgia Public Service Commission (also referred to herein as "Staff") and Atlanta Gas Light Company also d/b/a Georgia Natural Gas Company and Savannah Gas Company (also referred to herein as "Company"), by and through its Vice President - Operations and Engineering, Michael D. Hutchins, having reached a mutually agreeable settlement of all matters between them, the following stipulation is entered pursuant to the provisions of the Administrative Procedure Act, O.C.G.A. § 50-13-13(a)(4). The Company agrees to full performance of the terms and conditions of this Stipulation. The Company and Staff agree that the non-performance provisions of this agreement provide for an equitable remedy for the Commission to levy in the event of non-performance as outlined in Section 15, Non-Performance Penalty. Approval of this Stipulation by the Georgia Public Service Commission shall in no way be construed as condoning the Company's alleged conduct, if such allegations were true, and shall not be construed as a waiver of any of the lawful

rights possessed by the Georgia Public Service Commission. By entering into this Stipulation, the Company does not admit the facts alleged in the Rule Nisi; the Company denies all such allegations. This Stipulation shall not constitute an admission against interest in this or any other proceeding, and if this Stipulation is not approved, it shall not prejudice the ability of the Company or Commission Staff to present evidence or the ability of the Commission to adjudicate this matter.

FINDINGS OF FACT

The Company and Staff agree that the Georgia Public Service Commission (also referred herein as "Commission") may enter an Order based upon this Stipulation without the necessity of conducting a formal hearing. For purposes of this Stipulation, any further findings of fact with respect to the above-styled matter are hereby waived. The Company agrees that, for purposes of enforcement of this Stipulation if approved by the Commission, the Company has waived findings of fact and other defenses relevant thereto. Notwithstanding the foregoing, neither the Staff nor the Company shall be limited in their ability to present evidence concerning compliance or non-compliance with this Stipulation or a modification thereto, and nothing herein removes the obligation of the Commission to make findings of fact relative to any such enforcement action.

CONCLUSIONS OF LAW

For purposes of this Stipulation, any further conclusions of law with respect to the above-styled matter are hereby waived.

AGREEMENT

The Staff of the Georgia Public Service Commission and the Company having considered all the facts and circumstances of this case, including the Company's willingness to undertake the corrective measures outlined herein, hereby enter into the following agreement:

1.

LOCATION OF UNDERGROUND FACILITIES

- (a) Not later than ninety (90) days after the effective date of this Stipulation, the Company will establish procedures and training specifications to be implemented by any contractor acting on the Company's behalf in locating its facilities. The specifications, at a minimum, will detail that the Company's facilities are to be located in accordance with state law (including, but not limited to O.C.G.A. § 25-9-9) and federal regulations. These training procedures and specifications shall be reduced to writing and provided to the Pipeline Safety Unit of the Georgia Public Service Commission. Once established, the Company will require the contractors provide training for their employees within one hundred eighty (180) days. At least once a year thereafter,

the Company shall require any contractor, acting on its behalf locating its facilities, to reinforce these training procedures and specifications among its employees who locate facilities of the Company at formal training sessions. Said reinforcement of training shall be in addition to training that is routinely given to new technical and field employees of the contractor. The Company shall further require that its contractors prepare and maintain records that adequately document the topics discussed during the formal training administered, the names of employees that received training and the date on which the training was conducted. Copies of records detailing this information shall be kept in the possession of the contractors or the Company for at least five (5) years and shall be made available to the Staff of the Commission's Pipeline Safety Unit upon request.

- (b) Within ninety (90) days following the effective date of this Stipulation, the Company shall provide to the Pipeline Safety Unit of the Commission proposed language to be included in its Operations Procedure Manual to establish the procedures to be followed by Company operators, locators and field service representatives in locating its facilities. The procedures, at a minimum, shall detail that the Company's facilities are to be located in accordance with state law (including, but not limited to O.C.G.A. § 25-9-9) and federal regulations. Within thirty (30) days after the proposed

Operations Procedure Manual language is provided to the Pipeline Safety Unit Staff and implemented by the Company, the Company shall submit to the Pipeline Safety Unit of the Commission a schedule detailing the dates on which its affected employees will be trained to properly locate the Company's facilities. Training of all affected employees shall be completed no later than ninety (90) days from submission of the aforementioned training schedule. At least once a year thereafter, the Company shall reinforce this training. The Company shall prepare and maintain records that adequately document information relating to the training administered, which shall include, at a minimum, the names of employees that received training, the date on which the training was conducted and the subject matter that was addressed. Copies of records detailing this information shall be kept in the possession of the Company for at least five (5) years and shall be made available to the Staff of the Commission's Pipeline Safety Unit upon request.

2.

GRADING OF LEAKS

Within thirty (30) days after the effective date of this Stipulation, the Company shall provide to the Commission's Pipeline Safety Staff a schedule detailing the dates on which each of the Company's and contractors' affected employees responsible for the grading of leaks will be trained in the proper grading,

classification and recording of leaks on Company work orders. This training, at a minimum, shall include the manner in which leaks are properly graded and classified, as prescribed in Commission Rule 515-9-1-.05 and will emphasize that any leak found on a Company facility must be accurately recorded on Company distribution work orders. This training of the Company's and contractors' affected employees in the grading, classification and proper recording of leaks shall be completed no later than one hundred twenty (120) days from the effective date of this Stipulation. At least once a year thereafter, the Company shall require its contractors to reinforce this instruction and have affected Company employees receive this instruction on the grading, classification and proper documentation of leaks at formal training sessions. The Company or the contractor shall prepare and maintain records that adequately document information relating to the training administered, which shall include, at a minimum, the names of the affected employees that received training, the date on which the training was conducted and the subject matter that was addressed. Copies of records detailing this information shall be kept for at least five (5) years and shall be made available to the Staff of the Commission's Pipeline Safety Unit upon request.

3.
REPAIR OF GRADE ONE LEAKS

Within thirty (30) days after the effective date of this Stipulation, the Company shall provide to the Pipeline Safety Unit of the Commission a schedule detailing the dates on which the Company's and contractors' affected employees that repair leaks will be trained in the manner in which Grade One Leaks are to be repaired. This training, at a minimum, shall reinforce procedures set forth in the Company's Operations Procedure Manual under Division II, Section 4.6.1. In addition, this training shall emphasize the manner in which leaks are made safe and/or downgraded. Training of the Company's and contractors' affected employees in the repair and proper documentation of Grade One Leaks shall be completed no later than one hundred twenty (120) days from the effective date of this Stipulation. At least once a year thereafter, the Company shall require its contractors to reinforce this instruction, and have the Company's employees receive instruction, for the repair and documentation procedures. The Company or contractors shall prepare and maintain records that adequately document information relating to the training administered, which shall include, at a minimum, the names of the affected employees that received training, the date on which the training was conducted and the subject matter that was addressed. Copies of records detailing this information shall be kept for at least five (5) years and shall be made available to the Staff of the Commission's Pipeline Safety Unit upon request.

**AVAILABILITY AND USE OF SAFETY
EQUIPMENT AND BREATHING APPARATUS**

- (a) Not later than ninety (90) days after the effective date of this Stipulation, the Company shall purchase multiple use respirator equipment that shall be placed on each "in service" emergency and "on-call" trucks. In addition thereto, the Company shall purchase at least two (2) single person stand alone breathing apparatus for fifteen (15) service centers: Athens, Atlanta, Augusta, North Fulton, Clayton, Macon, Rome, Savannah, Valdosta, Jasper, Hall County, Sandersville, Eastman, Vidalia, and Brunswick. In the event the Company ceases operations at any one or more of the above identified service centers, the Company will relocate the then existing breathing apparatus to a site mutually agreeable to the Company and the Staff. Written confirmation shall be sent to the Commission's Pipeline Safety Unit by the Company documenting when the purchase of this equipment was made and when it was distributed to each such service center.
- (b) Within thirty (30) days after the effective date of this Stipulation, the Company shall provide to the Commission's Pipeline Safety Unit proposed language to be included in its Operations Procedure Manual to specify when a hazardous condition may occur and when and how to use safety equipment, particularly breathing apparatus. Within thirty (30) days after the proposed Operations Procedure Manual language is provided to the Commission's Pipeline Safety Unit Staff and

implemented by the Company, the Company shall provide to the Commission's Pipeline Safety Unit a schedule detailing the dates on which the Company's and contractors' affected employees, who are likely to be exposed to a hazardous situation while performing service for the Company, will be trained how to determine when a hazardous situation may occur and when and how safety equipment, particularly breathing apparatus, is to be used. Such training shall be completed no later than one hundred eighty (180) days after the effective date of this Stipulation. At least once a year thereafter, the Company shall require its contractors to reinforce this instruction, and have Company affected employees receive this instruction, on determining when a hazardous condition may occur and how and when to make the proper use of safety equipment. The Company or contractors shall prepare and maintain records that adequately document information relating to the training administered, which shall include, at a minimum, the names of each person who received training, the date on which the training was conducted and the subject matter that was addressed. Copies of records detailing this information shall be kept for at least five (5) years and shall be made available to the Staff of the Commission's Pipeline Safety Unit upon request.

5.
LEAK DATABASE

In the event that the Company chooses to utilize electronic records, following the effective date of this Stipulation, in lieu of written records, the Company shall redesign its computerized leak database to standardize the manner in which leak information is recorded and evaluated at each of its service centers. At a minimum, all information requested on the Company's distribution work orders, including, but not limited to, the condition of the main; pit depth gauge readings; pipe to soil readings; employee observations and comments; anode installation; and/or main replacement, shall be made part of the computer database when the recording and evaluation of leaks is performed by or on behalf of the Company. Should the Company wish to continue using written work orders and maps to document leaks, said work orders and leak maps shall be retained for the life of the pipe.

6.

FIELD REPORTS OF PITTED MAIN

- (a) Within thirty (30) days after the effective date of this Stipulation, the Company shall submit to the Commission's Pipeline Safety Unit a schedule detailing the dates on which the Company's and contractors' affected employees will be trained how to properly perform and record a pit depth gauge reading for a section of pipe. Training of the Company's and contractors' affected employees who perform and record the findings of a pit depth gauge reading shall be completed no later than ninety (90) days from the effective date of this

Stipulation. At least once a year thereafter, the Company shall require its contractors to reinforce this instruction, and Company affected employees to receive this instruction. The Company and contractors shall prepare and maintain records that adequately document information relating to the training administered, which shall include, at a minimum, the names of each person, that received training, the date on which the training was conducted and the subject matter that was addressed. Copies of records detailing this information shall be kept for at least five (5) years and shall be made available to the Staff of the Commission's Pipeline Safety Unit upon request.

- (b) The Company shall require its affected employees to accurately document on distribution work orders any instance in which a section of pipe is found to have less than thirty percent (30%) of original wall thickness. The Company shall require the same of its contractors. Any section of pipe that is found to have less than thirty percent (30%) of original wall thickness shall be monitored for leaks at intervals not to exceed one month from the time of detection until that section of pipe is replaced. All records associated with this section, including leakage surveys, shall be retained for as long as the facilities remain in service.

DISSEMINATION OF OPERATIONS PROCEDURE MANUAL

Not later than thirty (30) days after the effective date of this Stipulation, the Company shall provide a complete copy of its Operations Procedure Manual to its contractors, specifically to the owner or the manager. Any amendment or deletion to any portion of the contents of the Operations Procedure Manual shall be placed in the mail to the contractors' owners or managers within five (5) business days of its effective date.

8.

METERS READ BY ELECTRONIC READING TELEMETRY

Within thirty (30) days after the effective date of this Stipulation, the Company shall provide to the Commission's Pipeline Safety Unit proposed language to be included in its Operations Procedure Manual requiring that all meters read by electronic reading telemetry devices must be inspected by an employee of the Company or its contractors at least once every three years. Within thirty (30) days after the proposed Operations Procedure Manual language is provided to the Pipeline Safety Unit Staff and implemented by the Company, the Company shall submit to the Commission's Pipeline Safety Unit a schedule identifying when each of its meters that are read by electronic reading telemetry shall be visually inspected by its employees or contractors acting on its behalf. Such inspections shall be completed within twelve (12) months after the effective date of

this Stipulation. In conjunction with these inspections, the Company shall prepare, or cause to be prepared, and maintain records that adequately document information relating to the condition of these meters and any repairs made thereto. Copies of records detailing this information shall be kept in the possession of the Company for at least five (5) years and shall be made available to the Staff of the Commission's Pipeline Safety Unit upon request.

9.

LOCKING/SEALING OF DISCONNECTED METERS

Within sixty (60) days after the effective date of this Stipulation, the Company shall submit to the Staff of the Commission's Pipeline Safety Unit a report identifying the location of all meters (those read either electronically or visually) for which service has been discontinued. Within one hundred twenty (120) days after this report has been submitted to the Commission's Pipeline Safety Unit, the employees of the Company or the Company's designated contractors shall check each meter to determine whether it has been properly locked or sealed. In the event that a meter is observed not to be properly locked or sealed, immediate action shall be taken to prevent unauthorized use of the facility in question by locking the inlet valve or sealing off the meter. The Company shall provide written

notification to the Staff of the Commission's Pipeline Safety Unit when the process has been completed.

10.

LEAKAGE SURVEYS AND RELATED RECORDS

- (a) Not later than one hundred eighty (180) days after the effective date of this Stipulation, the Company shall plot all cast iron graphitization leaks that are documented on all electronic records and/or distribution work orders in the Company's possession. For purposes of this paragraph, "cast iron graphitization" shall be defined to mean cast iron that has been converted to corrosion products leaving graphite, although the pipe seems to be left intact.
- (b) Beginning October 1, 1998, the Company shall perform an annual leakage survey of all of its bare steel pipe and cast iron facilities at least once within a twelve (12) month period until such time as these facilities have been completely replaced. The results of these leak surveys shall be made available for review upon request by the Commission's Pipeline Safety Unit Staff.
- (c) Within thirty (30) days after the effective date of this Stipulation, the Company shall provide to the Commission's Pipeline Safety Unit proposed amendatory language to its Operations Procedure Manual, Division II, Section 25.2, specifying that all leak survey records performed on bare and cast iron pipe in the Company's distribution system shall be

retained for the life of the facility. Following the effective date of this Stipulation, the Company shall ensure that this leak survey information is preserved until the bare steel and/or cast iron pipe is replaced or retired. Copies of this information shall be kept in the possession of the Company and shall be made available to the Staff of the Commission's Pipeline Safety Unit upon request.

11.
MARKING ABOVEGROUND REGULATORS

No later than sixty (60) days after the effective date of this Stipulation, the Company shall mark all of its aboveground regulators in the manner set forth in Division III Section 10.3 of its Operations Procedure Manual in effect on January 1, 1998. The Company shall notify the Commission's Pipeline Safety Unit in writing once all of its unmarked regulators are properly marked. Thereafter, in conjunction with its annual inspection of regulator stations, the Company shall document whether a station is properly marked. Copies of this information are to be kept in the possession of the Company for at least five (5) years and shall be made available to members of the Commission's Pipeline Safety Unit upon request.

12.
INCIDENT NOTIFICATION

(a) As of the effective date of this Stipulation, the Company will notify the Commission's Pipeline Safety Unit within one

- (1) hour after the Company determines an incident reportable as defined under paragraph (c) below.
- (b) No later than ninety (90) days after the effective date of this Stipulation, the Company shall provide training as to the proper manner in which the Commission's Pipeline Safety Unit will be notified of reportable incidents. The training will, at a minimum, provide necessary instruction to follow in the event a reportable incident occurs. The Company also agrees to reinforce this training at least annually on the proper identification of the requirements for incident notification. The Company shall prepare and maintain records that adequately document information relating to the training administered, which shall include, at a minimum, the names of the persons that received training, the date on which the training was conducted and the subject matter that was addressed. Copies of records detailing this information shall be kept in the possession of the Company for at least five (5) years and shall be made available to the Staff of the Commission's Pipeline Safety Unit upon request.
- (c) For purposes of this Stipulation, the phrase "a reportable incident" means any of the following:
- An event that involves a release of gas from a pipeline or liquefied natural gas (LNG) or gas from an LNG facility; and

- (i) A death or personal injury necessitating in-patient hospitalization; and/or
- (ii) Estimated property damage, including cost of gas lost, of the operator or others, or both, of \$5,000 or more; and/or
- (iii) An event that results in an emergency shutdown of an LNG facility; and/or
- (iv) An event that is significant, in the judgment of the operator, even though it does not meet the criteria set forth in (i) through (iii) above. A significant event shall include, but not be limited to, the following: an evacuation of any premises; a fire or explosion; instances in which there is media coverage; and occurrences in which there is an interruption in service to more than one hundred (100) customers.

13.

NOTIFICATION OF PROBABLE VIOLATIONS

As of the effective date of this Stipulation, the Company and the Pipeline Safety Unit Staff shall communicate via certified mail in any instance in which notification of a probable violation or violations is to be discussed.

14.

REPLACEMENT PROGRAM

(a) The Company shall replace all bare steel and cast iron pipe on the Company's system within the state of Georgia as follows:

(i) Within thirty (30) days after the effective date of this Stipulation, the Company shall accurately identify for the Staff of the Commission's Pipeline Safety Unit the location (by city, county and street address) of every main on its system (both bare steel and cast iron) and number of connected services within the state of Georgia that has a leak history demonstrating graphitization or corrosion. At least twenty percent (20%) of the total amount of mains and connected services on the Company's system in class III and class IV locations as defined in the Code of Federal Regulation, 10-1-97 edition, 49 CFR 30 part 192.5 (c.)(3) and (4), with a leak history demonstrating graphitization or corrosion shall be replaced during each of the first four (4) years, with the remainder being replaced in the fifth and final year. The Company shall strictly adhere to this schedule unless the Commission, in its discretion, grants the Company a modification therefrom following receipt of a written petition for this relief. During this phase of the replacement program, any additional mains and connected services that are found to have

significant graphitization or corrosion shall be replaced within one (1) year of its detection.

(ii) During the second phase (years 6 through 10) of the main replacement program, the Company shall replace all remaining bare steel and cast iron main and connected services in its system. The Company shall strictly adhere to this schedule unless the Commission, in its discretion, grants the Company a modification therefrom following receipt of a written petition for this relief. Any main and connected services on which significant graphitization or corrosion is found to be present shall be replaced within one (1) year from the date of its detection.

(b) Within thirty (30) days after the effective date of this Stipulation, it shall be required that:

(i) The Company shall identify for the Staff of the Commission's Pipeline Safety Unit the true and correct location according to the records of the Company (by city, county, street address) of every cast iron main on its system within the state of Georgia. If the Company determines that the actual location of cast iron main on the Company's system varies from the information provided to the Staff based on the Company's records, the Company shall

promptly notify the Staff of the newly acquired information concerning the correct location.

- (ii) Any time a section of cast iron pipe is removed from service, a sample section shall be cut and sent to a laboratory for analysis as to whether graphitization, which should be specified as being either general or localized, is found to exist. In the event that graphitization is detected from any analyzed section of cast iron pipe from which a sample is cut, the Company shall take remedial measures as described under 192.489 (a) and/or (b) to the Federal Regulation and, if replacement is required by such regulations, replace this main and connected services and/or adjoining pipe of the same vintage within one (1) year of detection.

15.

NON-PERFORMANCE PENALTY

The Company and Staff agree that full performance of the above terms is a condition precedent to the ultimate resolution of this Stipulation. To guarantee compliance with this Stipulation, the Company agrees to pay to the Commission non-performance penalties as set forth below:

1. The Company agrees to pay to the Commission a non-performance penalty of one hundred thousand dollars (\$100,000) for each violation of the terms and conditions found in sections 1 through 13 above. Such non-performance penalty is not to be

assessed for isolated acts or failures to act, but rather for systematic and/or consistent patterns of non-compliance.

2. To guarantee compliance with Section 14, Replacement Program, the Company agrees to pay to the Commission a non-performance penalty, based on figures provided by Atlanta Gas Light Company to the U. S. Department of Transportation, Form RSPA F 7100.1-1. The latest figures reported are as follows:

Miles of Bare Steel Unprotected Main	1,984
Miles of cast/ wrought iron main	<u>328</u>
TOTAL	2,312

Based on these figures, the Company is to replace no less than 231.2 miles of this main per year for the duration of the ten-year pipe replacement program, subject to the priorities contained in section 14, Replacement Program. Failure to meet these milestones will result in a non-performance penalty to the Company of one dollar per foot per day. The penalties are to be cumulative and continuous until each milestone is met. The first year of the replacement program is to begin on October 1, 1998. The penalty period for the first year of the replacement program begins on the first day of the second year of the program if less than 231.2 miles of priority main have been replaced. The penalty for the first year milestone ends when 231.2 miles of priority main have been replaced. In like manner, the penalty milestone for the second year ends when 462.2 miles of priority main have been

replaced. The penalty milestone for years 3-10 are calculated similarly, with the 10 year milestone being complete replacement of all bare steel and cast iron pipe from the total Company system (2312 miles per Form RSPA F7100.1-1); however, actual footage shall be controlling.

Should any of the terms and conditions of this Stipulation be violated by the Company, the Staff will immediately notify the Commission of such violation(s) and after notice and hearing, a determination shall be made by the Commission whether the Company has breached its obligation under this Stipulation. In the event that the Company is found to be in violation of the Stipulation as set forth in subparagraphs 15(1) and 15(2), the Company shall pay the non-performance penalty within thirty (30) days of an Order being issued by the Commission.

16.

ANNUAL PROGRESS AND COST RECOVERY FILING

The Company is to make an annual filing of its progress on the Pipe Replacement Program, including all costs incurred and cost savings of the replacement program. The Company shall be entitled to the recovery of all net prudent costs of the performance of this Stipulation. Should the regulatory process then in place fail to recover the cost to the Company for performance of its obligations pursuant to this Stipulation, the Company may file for recovery as part of the annual filing above. The Company may recover these costs only once, and must

demonstrate in such a filing that all costs, which have been identified and included in the filing, have not been recovered by the Company. The filing must include as a credit any cost savings resulting from the replacement program. The Company must provide the Commission Staff access to its books of account and other records for verification of the pipe replacement program implementation and other Stipulation items before the Commission will hear any request for cost recovery. The Staff shall submit an audit report concerning the Staff's findings relative to the Company's cost recovery filing. After receipt and acceptance of this report the Commission may issue a procedural and scheduling order to resolve the matter or may accept the audit report without further proceedings if no Commission action is required. The cost recovery will be designed to complement and supplement the regulatory process then in place. This recovery will be through a surcharge to then existing rates. The Company shall be allowed to include capital cost of all property additions and improvements minus such amounts already included in the Commission's last determination of the Company's revenue requirements. Capital cost shall be defined as:

1. The return on capital which shall be the most recent overall rate of return set by the Commission for the Company multiplied by;
2. (Net plant additions and improvements) less (the accumulated depreciation on the net property additions,

accumulated deferred income taxes, and any other items normally associated with the rate base calculation as determined by the Commission in the Company's last revenue requirement determination).

3. The result of this calculation shall be the income required for the return on capital.
4. The Company shall be allowed to recover depreciation expense calculated at the latest Commission approved rate for like items of plant calculated on the net property additions and improvements, fully adjusted to reflect the impact on other items of the addition of depreciation expense to revenue requirements.

The above capital cost shall apply to only those costs properly capitalized in the plant accounts as determined by the Commission's Rule 515-3-1-.10 Accounting Requirements (i.e. FERC USOA 18CFR511 et. Seq.)

The Company will also be allowed any net current expense not recovered above or in previous revenue requirement determinations by the Commission which is directly assignable and identifiable with the implementation of this Stipulation, less any cost savings resulting from the replacement program subject to the "only once recovery rule" contained within this Stipulation. Any of these expenses shall also be fully adjusted to reflect the impact on other items of these expenses, including time value of money for

any lead or lag in recovery calculated according to the most recent method approved by the Commission, to revenue requirements.

The amount of the surcharge shall be determined by adding or subtracting, as may be appropriate, the summation of the depreciation expense, cost savings and other expense items adjusted to reflect the income impact of these expenses to the income required. This shall be the income deficiency (or surplus). The income deficiency (or surplus) shall be adjusted for the effect of items directly associated with revenue, such as are found in the calculation of an expansion factor, as that term is used in the Commission's revenue requirements calculation. The results of this calculation shall be the amount of the surcharge, either positive or negative.

The last year's surcharge will be in the form of a change to base rates equal to the surcharge. The surcharge will end in the year in which the Company has fully performed the requirements of this Stipulation, including, but not limited to, the replacement program. The Commission will increase (or decrease as appropriate) the base rates by the amount of the surcharge for that year. Thereafter, any future rate recovery will be through the rate making process then in place.

This Stipulation shall be maintained on a public docket and will be disseminated as a public order.

18.

This Stipulation shall not become effective until it is docketed and approved by the Georgia Public Service Commission.

19.

The Atlanta Gas Light Company also d/b/a Georgia Natural Gas Company and Savannah Gas Company, by and through its Vice President - Operation and Engineering, Michael D. Hutchins, acknowledges that he has read this Stipulation and understands its contents. The Atlanta Gas Light Company also d/b/a Georgia Natural Gas Company and Savannah Gas Company, by and through its Vice President, consents to the terms and conditions set forth herein.

Stipulated this _____ day of _____, 1998.

GEORGIA PUBLIC SERVICE COMMISSION

DANNY L. MCGRIFF
Supervisor, Pipeline Safety Unit

B. B. KNOWLES
Director of Utilities

Consented to:

MICHAEL D. HUTCHINS
Vice President - Operation and
Engineering, on behalf of Atlanta
Gas Light Company d/b/a Georgia
Natural Gas Company and Savannah
Gas Company

Sworn to and subscribed
before me, this ____ day
of _____, 1998.

NOTARY PUBLIC
My commission expires:

**BEFORE THE GEORGIA PUBLIC SERVICE COMMISSION
STATE OF GEORGIA**

IN THE MATTER OF)
)
ATLANTA GAS LIGHT COMPANY)
also d/b/a GEORGIA NATURAL GAS)
COMPANY and SAVANNAH GAS) **DOCKET NO. 8516-U**
COMPANY)

ORDER ACCEPTING STIPULATION

On July 8, 1998, the Georgia Public Service Commission ("Commission") held a hearing to determine what action to take with respect to the attached Stipulation proposed by the Atlanta Gas Light Company and the Adversary Staff of the Georgia Public Service Commission (also collectively referred to herein as "Parties") in the above-referenced docket.

The Commission, having had the opportunity to review the proposed terms of this Stipulation and question a panel of witnesses presented by the Parties in support thereof, hereby:

ORDERS that the attached Stipulation be adopted as a resolution of the issues raised in the Rule Nisi issued on January 6, 1998, in Docket No. 8516-U.

IT IS FURTHER ORDERED that any motion for reconsideration, rehearing or oral argument or any other motion shall not stay the effective date of this Order, unless otherwise specified by the Commission; and

IT IS FURTHER ORDERED that jurisdiction over this matter is expressly retained for the purpose of entering such further Order(s) as the Commission may deem just and proper.

The above by action of the Commission in Administrative Session on July 21, 1998

DEBORAH K. FLANNAGAN
ASSISTANT EXECUTIVE SECRETARY

ROBERT B. BAKER, JR.
CHAIRMAN

DATE

DATE

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE D.T.E.
D.T.E. 05-27

Date: July 25, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

RR-DTE-68: Calculate Page 9 of Exh. BSG/JES-1, Schedule JES-17, by dividing by twelve and multiplying by 13.05%.

Response: Attachment RR-DTE-68 recalculates the carrying costs as requested.

Witness: Skirtich

D.T.E. 05-27

Exh.BSG/JES-1

Schedule JES-17

Page 9 of 12

**Bay State Gas Company
SIR Base Rate Adjustment
Carrying Costs
From In Service to Implementation of Rates
SAMPLE**

<u>Ln. No.</u>	<u>Lag Period</u>	<u>Monthly Additions</u>	<u>Cumulative Additions</u>	<u>Pre-tax Cost of Capital</u>	<u>Monthly Cost</u> (5)=(3*4)/12))
	(1)	(2)	(3)	(4)	(5)
		(\$)	(\$)	(%)	(\$)
1	Jan.				-
2	Feb.				-
3	Mar.				-
4	April	2,857,200	2,857,200	13.05%	31,072
5	May	2,857,200	5,714,400	13.05%	62,144
6	June	2,857,200	8,571,600	13.05%	93,216
7	July	2,857,200	11,428,800	13.05%	124,288
8	Aug.	2,857,200	14,286,000	13.05%	155,360
9	Sept.	2,857,200	17,143,200	13.05%	186,432
10	Oct.	2,856,800	20,000,000	13.05%	217,500
11	Nov.		20,000,000	13.05%	217,500
12	Dec.		20,000,000	13.05%	217,500
13	Jan.		20,000,000	13.05%	217,500
14	Feb.		20,000,000	13.05%	217,500
15	Mar.		20,000,000	13.05%	217,500
16	Apr.		20,000,000	13.05%	217,500
17	May		20,000,000	13.05%	217,500
18	June		20,000,000	13.05%	217,500
19	July		20,000,000	13.05%	217,500
20	Aug.		20,000,000	13.05%	217,500
21	Sept.		20,000,000	13.05%	217,500
22	Oct.		20,000,000	13.05%	217,500
23	Total				<u>2,610,012</u>

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE D.T.E.
D.T.E. 05-27

Date: July 25, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

RR-DTE-72: Provide the Department with the DOT report referenced in footnote 2 of
Schedule JES-17, page 12 of 12.

Response: Please see the Attachments to DTE-3-11.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE D.T.E.
D.T.E. 05-27

Date: July 22, 2005

Responsible: Joseph A. Ferro

RR-DTE-79: Explain any margins earned under the programs referenced in JAF-1-1, Page 1, for the support of the profits of the Company's business services lines 10 and 11 and as described in AG-09-43.

Response: As stated in Mr. Bryant's testimony, Exhibit BSG/SHB-1, at 58, the service business activity, including Water Heater Rental and Guardian Care Service, of which the revenues are presented on page 1 of Schedule JAF-1-1 on lines 10 and 11, respectively, generated \$5.7 million of profit.

Please see response to MOC-4-2 for the presentation of the profit, in the form of earnings before interest and taxes (EBIT), by comparing the revenue against the fully allocated costs associated with each product line of business services. The utility product lines of Guardian Care (HVAC) and Rentals (Leasing Products) presented in the attachment to the response to MOC-4-2, and which relate to the revenues presented on lines 10 and 11 of Schedule JAF-1-1, account for \$4.87 million of the \$5.7 million of total EBIT. Therefore, business services has served to reduce the Company's revenue requirement filed in this case by approximately \$4.87 million, to the benefit of firm tariff customers.